



## **Business Results**

**Third Quarter of Fiscal Year ending March 31, 2004**

**Minebea Co., Ltd.**

**Tsugio Yamamoto  
Representative Director,  
President and Chief Executive Officer  
February 6, 2004**

## Consolidated Results for Third Quarter of Fiscal Year ending March 31, 2004

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(Millions of yen)	Year ended Mar. '03	--- Year ending Mar. '04 ---		3Q Change	
	3Q	2Q	3Q	yoy	qoq
Net Sales	68,723	67,252	68,728	+0.0%	+2.2%
Operating Income	5,519	5,208	4,531	-17.9%	-13.0%
Ordinary Income	4,036	4,273	3,707	-8.2%	-13.2%
Income before Income Taxes	3,735	4,122	3,590	-3.9%	-12.9%
Net Income	1,889	2,305	1,622	-14.1%	-29.6%

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Financial Results for the third quarter of the fiscal year ending March 31, 2004, were sales of 68.7 billion yen, operating income of 4.5 billion yen, ordinary income of 3.7 billion yen and net income of 1.6 billion yen. Compared to the same quarter of the last fiscal year and the second quarter of the current fiscal year, sales increased, however income declined.

## Net Sales and Operating Income by Segment

Income of machined components business expanded.

(Millions of yen)	--- Year ended Mar. '03 ---				--- Year ending Mar. '04 ---			3Q Change	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	yoy	qoq
<b>[Net Sales]</b>									
Machined components business	31,668	28,641	28,723	29,085	28,606	27,059	27,434	-4.5%	+1.4%
Bearing-related products	26,420	23,638	23,845	24,035	23,959	23,169	23,324	-2.2%	+0.7%
Other machined components	5,249	5,002	4,879	5,050	4,646	3,892	4,109	-15.8%	+5.6%
Electronic devices and components business	40,699	36,241	40,000	37,144	37,883	40,193	41,294	+3.2%	+2.7%
Rotary Components	20,793	18,140	20,521	19,734	21,458	22,184	22,209	+8.2%	+0.1%
Other electronic devices	19,908	18,097	19,480	17,412	16,424	18,011	19,084	-2.0%	+6.0%
<b>Total Net Sales</b>	<b>72,367</b>	<b>64,882</b>	<b>68,723</b>	<b>66,230</b>	<b>66,489</b>	<b>67,252</b>	<b>68,728</b>	<b>+0.0%</b>	<b>+2.2%</b>
<b>[Operating Income]</b>									
Machined components business	5,098	4,065	4,771	4,585	4,908	4,270	5,035	+5.5%	+17.9%
Electronic devices and components business	933	80	748	-929	-648	937	-503	-	-
<b>Total Operating Income</b>	<b>6,031</b>	<b>4,145</b>	<b>5,519</b>	<b>3,657</b>	<b>4,259</b>	<b>5,208</b>	<b>4,531</b>	<b>-17.9%</b>	<b>-13.0%</b>

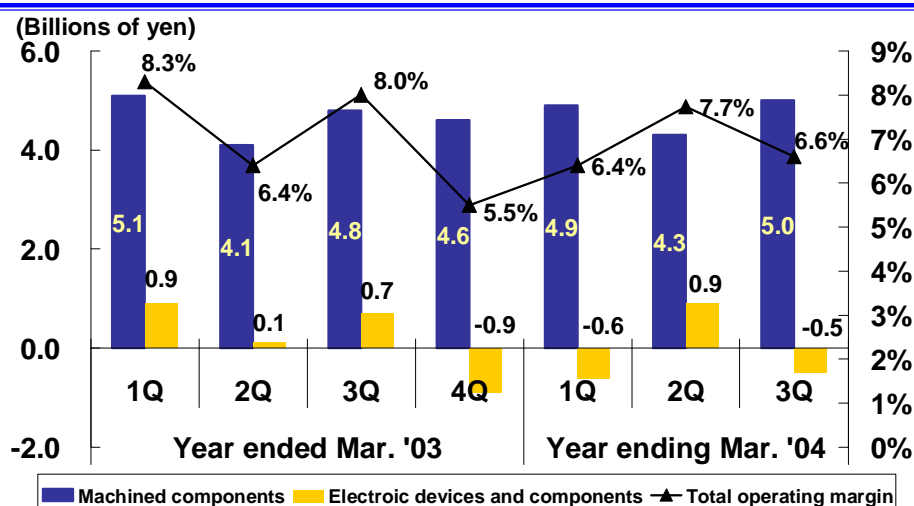
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This slide shows quarterly sales and operating income by segment.

## Operating Income by Segment



Operating margin by segment	Year ended Mar. '03				Year ending Mar. '04		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Machined components business	16.1%	14.2%	16.6%	15.8%	17.2%	15.8%	18.4%
Electronic devices and components business	2.3%	0.2%	1.9%	-2.5%	-1.7%	2.3%	-1.2%

(Operating margin of machined components segment: external sales basis)

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Operating income of machined components segment for the third quarter was 0.5 billion yen, an increase from the second quarter. This is as a result of measures that we have promoted for the last several years to expand sales of ball bearings and pivot assemblies, and to lower costs. Operating income margin for the segment made a considerable improvement to over 18%.

On the other hand, electronic devices and components segment recorded a loss of 0.5 billion yen, lower than our plan. This is the reason for the lower than planned overall financial results for the quarter.

## Third Quarter Results

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- **3Q shipments and production of main products reached record high.  
Ball Bearings, Pivot Assemblies, Spindle Motors**
- **However, businesses were affected by continuous pricing pressure and FX fluctuation.**

➔ **Margin of machined components business made considerable improvement and income expanded. This is as a result of successful implementation of measures to expand sales and advance productivity of ball bearings.**

**Deterioration in profitability of electronic devices and components business lowered overall consolidated results.**

**Products with wide differential from plan:**

**Spindle Motors**

**Keyboards**

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Sales volume of main products reached record high in the third quarter, however, pricing remained tough, partly due to FX effect. Even in this environment, ball bearing operation achieved substantial reduction in costs.

The decline in profitability of electronic devices and components segment was caused particularly by HDD spindle motor and keyboard operations, both of which fail to meet profitability target.

Sales of HDD spindle motors in the third quarter exceeded that in the second quarter. However, strong pricing pressure has led to a price decline that could not be covered by cost cutting. We aim to strengthen the business foundation by expanding customer base of spindle motors for 3.5inch HDD and to enter the business for 2.5inch HDD application, and to provide stable supply of high quality products, thereby continuing to earn high confidence from our customers.

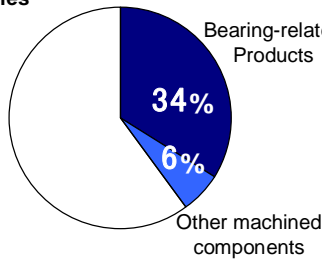
Sales of keyboards in the third quarter were a large improvement from the second quarter. Production at the new plant in Shanghai is rising steadily. However, profitability was lower than planned because of costs associated to production shift from Thailand and start up of the new plant. We aim to improve profitability by consolidating production to the new plant at an earliest date.

# Sales Breakdown

Pivot assemblies, spindle motors, lighting devices and keyboards expanded sales.

## Machined Components Business

Sales



### Bearing-Related Products

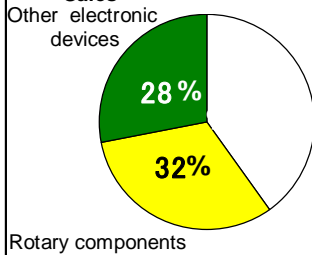
**Ball bearings:** (23% of total sales) -2% qoq, Shipments increased 10% from 2Q.  
 Favorable sales for air conditioners and fan motors  
**Rod-end & spherical bearings:** (4%) +0%, Remained at same level  
**Pivot assemblies:** (7%) +10%, Strong HDD demand and gain of market share.

### Rotary Components

**Spindle motors:** (17%) +5%, Expanded sales for 3.5 inch HDD.  
**Fan motors:** (9%) -6%, Weak demand from game machine segment and less than expected growth for PC applications.  
**Stepping motors:** (7%) -2%, Increase in sales volume for ODD applications.

## Electronic Devices and Components Business

Sales



### Other Electronic Devices

**Keyboards:** (11%) +25%, Recovered sales.  
**Electronic devices:** ( 7%) +6%, Sales expansion of lighting devices.  
**Power electronics:** (4%) -9%, Decreasing sales before the completion of withdrawal.  
**Speakers:** (4%) -15%, Seasonal effect.

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Ball bearings recorded strong sales in the third quarter and average monthly shipments exceeded 100 million units. Change in product mix, caused by an increased proportion of sales for air conditioner and fan motor applications, together with FX fluctuations were the causes for the decline in sales value.

Sales of pivot assemblies increased considerably as a result of market share expansion and strong demand for HDD in October and November.

## 3Q Sales by User Industry & by Region

Sales for PC and OA applications expanded. Within home electronics, businesses of ball bearings and fan motors were robust.

### Sales by User Industry

	Automobile	Aerospace	Home electronics	Office automation	PC and PC related equipment	Motor	Others	Total
% of Sales	7.6%	8.6%	8.3%	11.4%	47.5%	5.2%	11.5%	100.0%
Change qoq	+1.3%	+1.6%	-13.5%	+9.2%	+6.1%	-4.7%	-1.9%	+2.2%
Change yoy	+9.2%	-6.2%	-10.2%	+26.5%	-0.1%	-6.2%	-8.9%	+0.0%

### Sales by Region

	Japan	Asia (ex-Japan)	North and South America	Europe	Total
% of Sales	25.7%	45.6%	17.2%	11.5%	100.0%
Change qoq	+7.6%	-0.9%	+3.5%	+1.4%	+2.2%
Change yoy	-1.2%	+11.8%	-17.3%	-7.3%	+0.0%

Excluding FX effect, sales in Asia increased 6% qoq and 22% yoy, led by strong growth in Greater China region.

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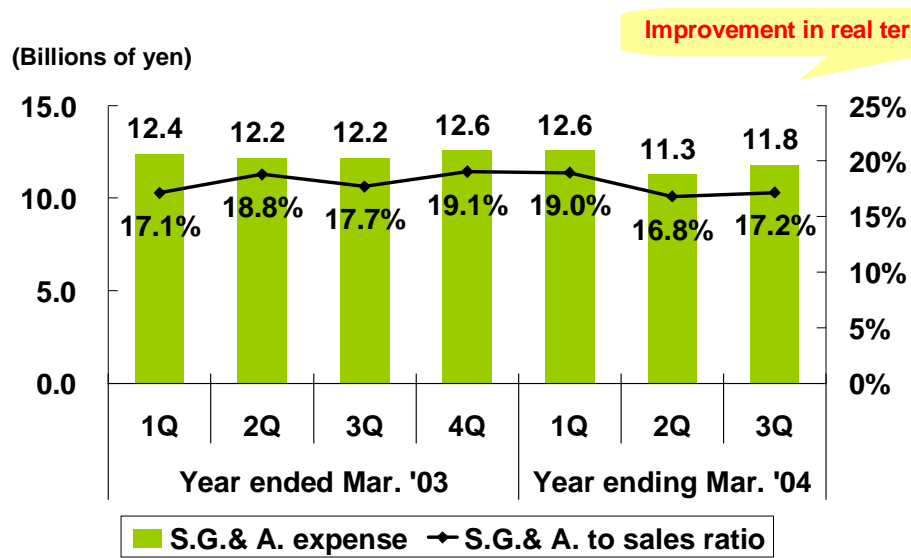
### Sales by applications

In the third quarter, sales for PC and OA applications were strong. Within sales for home electronics applications, sales for bearings and fan motors were strong.

### Sales by region

In the third quarter, sales without impact of FX fluctuations are on an increasing trend. Asia region recorded large growth in sales. Most of growth was from Greater China Region.

## S.G.& A. Expenses



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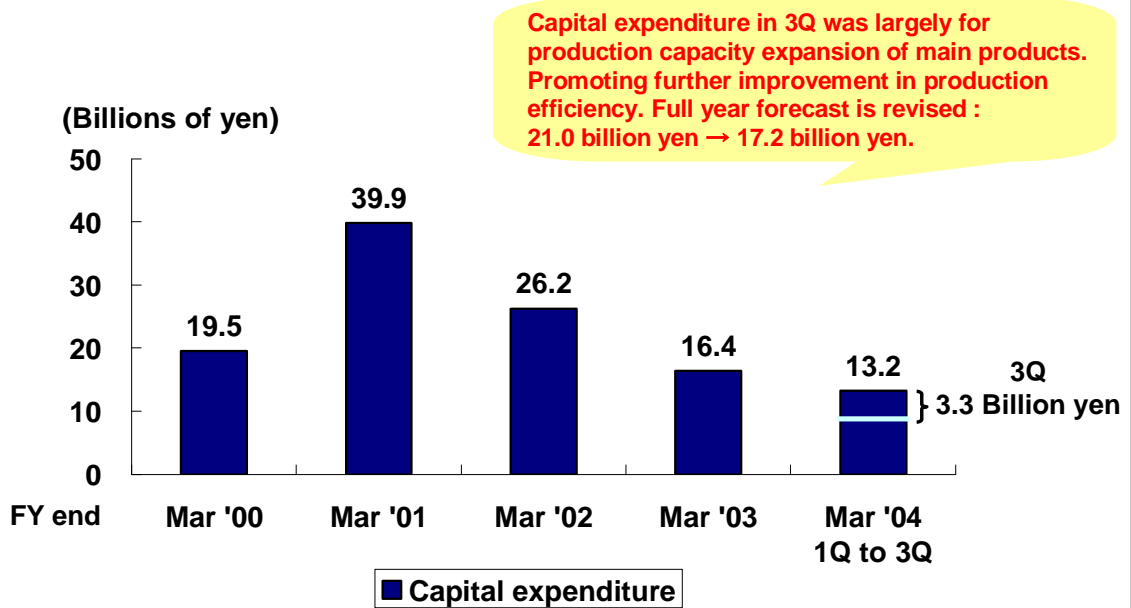
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SGA in the third quarter increased slightly from the second quarter. However, it improved slightly in real term. Without effect of yen appreciation, SGA ratio as percentage of sales was 16.9%, the same level as the second quarter.



## Capital Expenditure



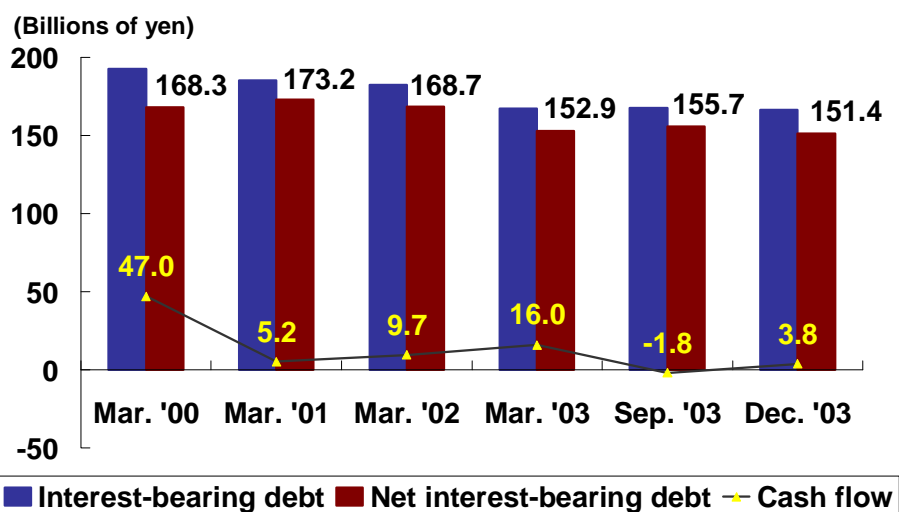
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Capital expenditure in the third quarter was 3.3 billion yen. Investment was mainly for expansion of production of ball bearings, keyboards, pivot assemblies and spindle motors. During the current fiscal year, we have revised investment required for capacity expansion of ball bearings, while we have implemented measures to improve productivity to maximum effect. As a result of these efforts, capex for the full year has been revised down further to 17.2 billion yen from 21.0 billion yen.

## Interest-Bearing Debt



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Interest bearing debt, net of cash and equivalent, was reduced by 4.3 billion yen from the end of the second quarter to 151.4 billion yen at the end of the third quarter. Reduction by the end of March is expected to exceed the initial plan. We forecast interest bearing debt, net of cash and equivalent, to be less than 150.0 billion yen at the end of March.

# Ball Bearings

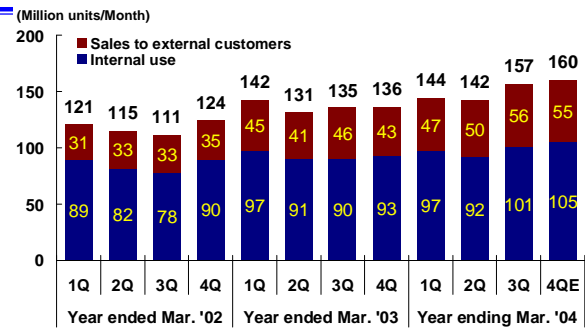
- Measures taken to expand and reinforce ball bearing business are making steady progress.
- Monthly external sales are over 100 million units on a stable basis. Total shipments, including internal use, have added more than 10% in six months.
- Increase in internal use is attributable to sales expansion of pivot assemblies.
- Reduction in production costs makes up for decline in unit price and thereby maintaining or expanding margin.

2003 International Bearing Industry Exhibition for China

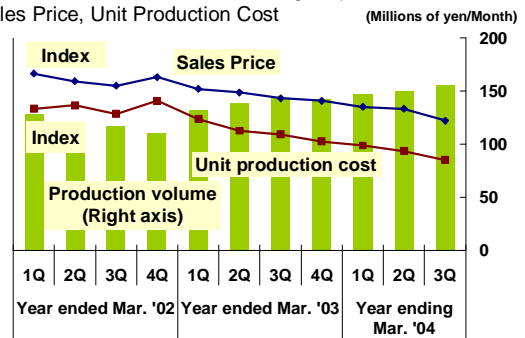


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Miniature and Small-sized Ball Bearing Shipments



Miniature and Small-sized Ball Bearing Shipments  
Sales Price, Unit Production Cost



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Positive outcome of strategy to expand sales and production of ball bearings became clearer in the third quarter. Sales volume, including those for internal sales, has added as much as 10 million to 20 million per month, 10%, from the first half. Much of contribution comes from sales increase in Greater China region.

Sales are expected to grow further in the fourth quarter.

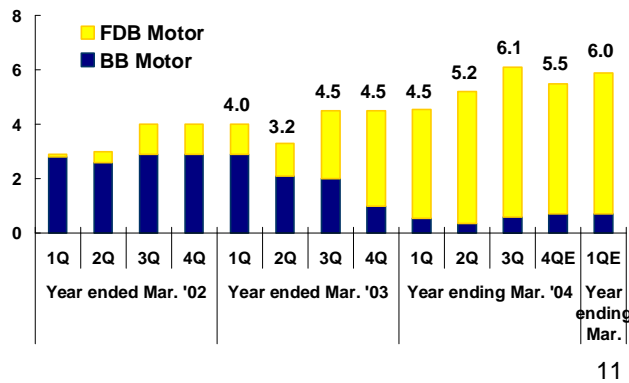
Despite the trend by our customers to shift production overseas, sales in Japan, US and Europe are increasing. By cultivating new market and by expanding market share in applications for home electronics and automobile, we aim to continue to grow sales.

# HDD Spindle Motors

- Demand for 3.5inch desktop HDD is expanding for consumer electronics. 4Q production of 5.5 million units per month is due to temporary adjustment in demand.
- Shipments of ball bearing motors for 1.8inch HDD are expanding .
- Continue to focus on improvement of profitability.
- In process of developing 2.5 inch FDB motors.



**HDD Spindle Motor Shipments**  
(Million units/Month)



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## PMDM Expansion

(Motor development technology center in Germany)

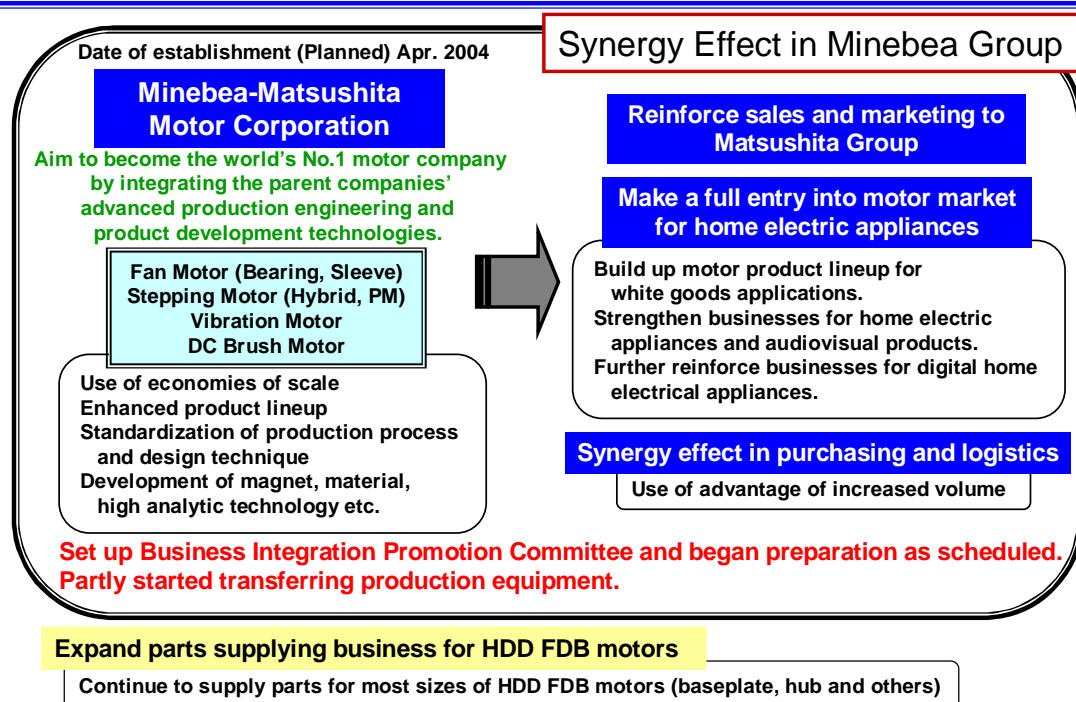
- Plant to extend floor space by 1.3 times, by building an extension with area space of 3,000m<sup>2</sup>. Planned expenditure is approximately 1 billion yen.
- Aim to lift development capacity of new FDB motor products and swiftly respond to development of new generation HDD – main area of expansion is performance test and life test.



Monthly shipments of HDD spindle motors in the fourth quarter are estimated to be 5.5 million yen, almost 10% decline from the third quarter, due to adjustment in demand for 3.5 inch desktop HDDs.

We have started construction work to expand PMDM, motor development technology center in Germany. This would lift development capacity of new FDB motor products for future demand.

# Joint Venture with Matsushita Electric Industrial Co., Ltd.



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On December 19, 2003, the business integration agreement was signed in preparation to launch Minebea-Matsushita Motor Corporation on April 1, 2004.

Business Integration Promotion Committee has been setup and preparation has begun in all areas of sales & marketing, engineering, manufacturing, procurement, logistics, information technology, human resources and administration.

With an aim to maximize synergetic effect from the first year of the integration of Minebea's advanced production engineering and Matsushita's product development technologies, we have already begun transferring part of Matsushita's production equipment of fan motors to Shanghai Minebea and we have started joint development of new products.

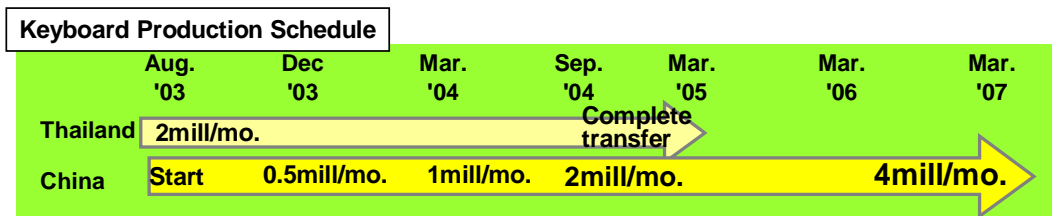
Work to identify motor products for use in final products of Matsushita Group and to review designs is in progress. Marketing has also begun to target other home electrical appliance manufacturers, where such motors are used similarly in mass scale.

We aim to take further measures to create strong relationship between the two parent companies.

## Other Main Business of Electronic Devices and Components Segment

### Keyboard Business

- Smooth launch of SST enables earlier transfer from Thailand by 6 months. Complete transfer by March 2005.
- Temporary decline in profitability due to increased fixed costs related to transfer process.



### Lighting Devices Business

- There is temporal adjustment, however, sales and orders are on a steadily increasing trend. Effective implementation of new product development projects has led to a large number of new orders for use in mobile telephones released this spring.

### Continuous Technological Development

- High-intensity model, high definition model
- Thin model
- Dual side backlight
- Corner LED backlight
- Large sized LCD (moving picture)

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### Keyboard business

Production volume at SST reached almost 0.5 million in December and is expected to be 1 million in March 2004. Transfer of production from Thailand is pushed ahead of schedule and completion is now planned to end by March 2005.

### Lighting device business

Sales and order are expanding steadily. January saw launch of several final products that use our lighting devices. Effective implementation of new product development projects has led to a large number of new orders for use in mainstream models of mobile telephone.

Uninterrupted technological development is requisite as life cycle of backlight is short. Our products have won favorable recognition from customers by continuously developing next generation models.

## Progress of Measures (Announced in May 2003) for the Current Fiscal Year

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### Six measures

1. Expand and further strengthen **Ball Bearing** business
2. Improve profitability of **HDD Spindle Motor** business
3. Improve profitability of **Pivot Assemblies**
4. Improve profitability of **Other Electronic Device Products**
5. Further expand **Fan Motor** business
6. Terminate **Switching Power Supplies and Related** businesses

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Important measures for the current fiscal year are as on this slide.

Third quarter earnings clearly reflect synergetic effect of pivot assemblies and ball bearings. We are currently lifting production capacity of pivot assemblies in order to meet the expected increase in demand in the next fiscal year. As for prices, rate of decline is slowing.

In January, production of switching power supplies came to an end.

## Outlook for the Fourth Quarter

### Operating environment from January onward

- Economic condition is on an improving trend, however, effect of further yen appreciation is a concern.
- Adjustment in PC and related sector, and in 3.5inch HDD market is expected until February. Demand for consumer electronics and digital home electric appliances continues to expand.

### Machined components business:

Further expand profitability, particularly in ball bearings business.

### Electronic devices and components business:

Promote development and sales of products for new market segment and enhance cost reduction measures.



### Sales and income outlook

(Billions of yen)	3Q		⇒	4Q	
	Net sales	Operating income		Net sales	Operating income
Machined components business	27.4	5.0	⇒	28.4	5.5
Electronic devices and components business	41.3	-0.5	⇒	40.1	-0.5
<b>Total</b>	<b>68.7</b>	<b>4.5</b>	⇒	<b>68.5</b>	<b>5.0</b>

### Full year

Net sales	275 billion yen	⇒	271 billion yen
Operating income	21 billion yen	⇒	19 billion yen

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Full year forecasts for consolidated sales and income have been revised, to reflect changes in operating environment, FX fluctuations and the current situation of electronics devices and components segment. We have revised full year sales from 275.0 billion yen to 271.0 billion yen, and operating income from 21.0 billion yen to 19.0 billion yen.

For the machined components segment, we look for further increase in profitability, particularly in ball bearing business.

For the electronic devices and components segment, amid temporary slow down in demand, we aim to promote development and sales of products for new market segment, and to reduce costs.



## Forecast for Fiscal Year ending March 31, 2004

(Millions of yen)	Year ended Mar. '03	--- Year ending Mar. '04 ---			Change yoy	Previous forecast
	Full year	1H	2H revised est.	Full year revised est.		Full year
Net Sales	272,202	133,741	137,259	271,000	-0.4%	275,000
Operating Income	19,352	9,467	9,533	19,000	-1.8%	21,000
Ordinary Income	13,420	7,558	7,742	15,300	+14.0%	17,000
Income before Income Taxes	495	6,299	7,801	14,100	28x	16,000
Net Income	-2,434	2,726	3,974	6,700	-	8,500

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Full year forecasts are as on this slide.

## Forecast for Net Sales and Operating Income by Segment

(Millions of yen)	Year ended Mar. '03	--- Year ending Mar. '04 ---			Change yoy	Previous forecast		Full year vs. forecast
		1H	2H est.	Full year est.		2H est.	Full year est.	
<b>[Net Sales]</b>								
Machined components business	118,117	55,665	55,835	111,500	-5.6%	59,335	115,000	97.0%
Bearing-related products	97,938	47,128	47,622	94,750	-3.3%	50,272	97,400	97.3%
Other machined components	20,180	8,538	8,212	16,750	-17.0%	9,062	17,600	95.2%
Electronic devices and components business	154,084	78,076	81,424	159,500	+3.5%	81,924	160,000	99.7%
Rotary components	79,188	43,642	44,608	88,250	+11.4%	46,058	89,700	98.4%
Other electronic devices	74,897	34,435	36,815	71,250	-4.9%	35,865	70,300	101.4%
<b>Total Net Sales</b>	<b>272,202</b>	<b>133,741</b>	<b>137,259</b>	<b>271,000</b>	<b>-0.4%</b>	<b>141,259</b>	<b>275,000</b>	<b>98.5%</b>
<b>[Operating Income]</b>								
Machined components business	18,519	9,178	10,522	19,700	+6.4%	10,322	19,500	101.0%
Electronic devices and components business	832	289	-989	-700	-	1,211	1,500	-
<b>Toal Operating Income</b>	<b>19,352</b>	<b>9,467</b>	<b>9,533</b>	<b>19,000</b>	<b>-1.8%</b>	<b>11,533</b>	<b>21,000</b>	<b>90.5%</b>

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Forecasts by segment are as on this slide.

# **Business Results**

**Third Quarter of Fiscal Year ending March 31, 2004**

**Minebea Co., Ltd.**

<http://www.minebea.co.jp/>

Any statements in the presentation which are not an historical fact are future projections made based on certain assumptions and our management's judgment drawn from currently available information.

Please note that actual performance may vary significantly from any particular projection, due to various factors.

Factors affecting our actual performance include: (i) changes in economic indicators surrounding us or demand trends; (ii) fluctuation of foreign exchange rates or interest rates; and (iii) our ability to continue R&D, manufacturing and marketing in a timely manner in the electronics business sector, where technological innovations are rapid and new products are launched continuously. However, this is not a complete list of the factors affecting actual performance.